



January 24, 2011

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Docket No. R-1404

Dear Ms. Johnson,

We appreciate the opportunity to comment on the proposed new Regulation II: Debit Card Interchange Fees and Routing. This rule is intended to establish standards for determining whether an interchange fee for an electronic debit transaction is reasonable and proportional to the cost incurred by the issuer with respect to the transaction. This new rule is also intended to prohibit issuers and networks from restricting the number of networks over which an electronic debit transaction may be processed and from inhibiting the ability of a merchant to direct the routing of an electronic debit transaction to any network that may process such transactions.

We have several significant concerns with the proposed rule. The debit card service we currently provide to our members is a break-even service. The interchange income currently received is typically sufficient to cover the total operating costs and charge-offs due to fraud and losses. We do not charge an annual fee for the debit card. We also charge few fees not related to overdrafts or other abusive practices. While the proposed rule exempts Palmetto Health Credit Union from the reduction in interchange fees, it is our concern that the proposed rule lacks sufficient provisions to validate and ensure this exemption. Without such assurances it is expected the interchange income currently received would be reduced and become insufficient to offset operational costs of the debit card service.

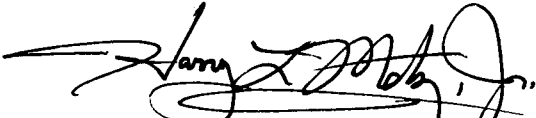
In addition to a potential severe reduction in income, the rule also proposes requirements that could dramatically increase the cost of maintaining the debit card service. The proposed rule concerning the number of networks over which an electronic debit transaction may be processed may not pose significant problems to high volume financial institutions. However, smaller institutions will be disproportionately impacted by the increased costs resulting from this requirement. This impact is compounded by the requirement that multiple unaffiliated networks must be maintained even in the event of merger or consolidation of networks. Most financial institutions would not be privileged to information that could indicate the future course of actions of applicable networks. The potential unintended consequences of the proposed regulation include the consolidation of networks through merger and acquisition. This would result in an

on-going upheaval in credit union operations and continued increased expenses to comply with the unaffiliated networks requirement. This situation is one for which the credit union would have no defense or ability to anticipate.

The dual impact of the loss of interchange income and increased operating costs will compel our re-evaluation of the feasibility of offering this service. This feasibility study would include a possible revision of the fee structure to ensure the debit card service did not become a financial drain on the credit union. This feasibility study must also include discontinuing the offering this valuable service. While this would be an option of last resort, its consideration is necessary to ensure a thorough analysis for the safety and soundness of the credit union.

It is of significant concern that an efficient, effective and beneficial financial service would be subjected to such detrimental regulatory changes. The current debit card service universally benefits all participants and the costs of these benefits are distributed proportionately. The proposed regulation would result in reduced benefit and expanded cost burden for financial institutions. As result of these concerns we request the proposed interchange rule be re-considered and that all expenses attributable to the debit card service be included. We also request the re-consideration of the multiple networks requirements.

Sincerely,



Harry L. Metz, Jr., CLE, NCCO
Compliance Manager